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FISCAL IMPACT STATEMENT

LS 6852
BILL NUMBER: HB 1572

NOTE PREPARED: Apr 15, 2009
BILL AMENDED: April 14, 2009

SUBJECT: Medicaid Managed Care.

FIRST AUTHOR: Rep. Welch
FIRST SPONSOR: Sen. Miller

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Health Finance Commission to study all aspects of the health facility quality assessment fee. It also requires the Health Policy Advisory Committee to submit an annual report to the Health Finance Commission on the committee's findings and recommendations.

The bill requires that certain contractors for: (1) the Division of Family Resources (DFR); (2) the Office of Medicaid Policy and Planning (OMPP); and (3) the Office of the Secretary of Family and Social Services (FSSA); that process eligibility intake information for the federal Supplemental Nutrition Assistance Program (SNAP), the Temporary Assistance to Needy Families (TANF) program, and the Medicaid program review certain intake statistics and provide certain information to the Select Joint Commission on Medicaid Oversight.

The bill establishes the Medicaid Managed Care Quality Strategy Committee to study issues related to Medicaid managed care.

The bill extends the Health Facility Quality Assessment Fee until August 1, 2011. (The fee currently expires August 1, 2009.) It also specifies the percentage distribution of money collected from the quality assessment depending on whether the state is receiving an adjusted federal medical assistance percentage by the federal American Recovery and Reinvestment Act (ARRA) of 2009.

The bill specifies conditions that a continuing care retirement community must meet in order to be exempt from the quality assessment fee. It also provides an exemption for hospital-based health facilities. The bill revises the definition of "continuing care agreement". It specifies when a person providing continuing care has to register the continuing care retirement community with the Securities Commissioner. The bill also

eliminates payments to the Indiana Retirement Home Guaranty Fund after June 30, 2009.

The bill removes provisions limiting the health facilities subject to the quality assessment fee based on the health facility's Medicaid utilization rate and annual Medicaid revenue. It also eliminates the exemption from the quality assessment fee for health facilities that only receive Medicare revenues.

The bill eliminates the role of the Department of State Revenue in collecting the QAF.

Effective Date: Upon passage; October 1, 2008 (retroactive); January 1, 2009 (retroactive); July 1, 2009.

Explanation of State Expenditures: *Summary:* The provisions concerning the Health Policy Advisory Committee would have little or no fiscal impact. The requirement for the contractors that process eligibility intake information to report certain information to the Select Joint Commission on Medicaid Oversight should be accomplished within the scope of the contract. The FSSA staffing requirement for the Medicaid Managed Care Quality Strategy Committee should fall within the current level of resources available to the agency.

The extension of the Quality Assessment Fee would continue the current level of Medicaid nursing facility reimbursement for two years. The temporary change in the state and facility percentages during the federal ARRA Medicaid stimulus period would limit total Medicaid nursing home reimbursement to approximately the same level it would have been absent the stimulus funding.

Background Information:

Quality Assessment Fee (QAF) Extension: The bill would extend the required increase in Medicaid nursing facility reimbursement for two years. The current statute requires that 80% of the QAF collected must be used to leverage federal Medicaid matching funds to increase nursing facility reimbursement targeting specific uses. The remaining 20% of the estimated QAF must be used to offset Medicaid costs incurred by the state. Should federal financial participation become unavailable to provide for the additional reimbursement, current law provides that OMPP will cease to collect the QAF.

QAF Adjustment for the Federal ARRA Medicaid Stimulus Funding: A 6.2% enhanced federal Medicaid match add-on as well as an estimated 2.77% bonus unemployment percentage will be available to the state from October 1, 2008, to December 31, 2010. The bill provides for a temporary change in the percentage of the QAF collected that must be used to leverage federal matching dollars for nursing facility reimbursement to 60% from the current 80%. This revision in the percentage would limit total Medicaid nursing home reimbursement to approximately the same level it would have been, absent the federal ARRA Medicaid stimulus funding. Assuming that the bonus unemployment percentage would not increase over the period of time that stimulus funds will be available, the 60% share of the QAF targeted to nursing home reimbursement is estimated to result in about $4.4 M more in total reimbursement to nursing facilities than would have been paid at the 80% level using the state's regular federal medical assistance percentage (FMAP).

The responsibility for the Department of State Revenue to collect the QAF is eliminated by the bill. OMPP will assume that responsibility by offsetting the collection of the QAF against Medicaid payments or in another manner.

Health Policy Advisory Committee: The bill specifies that the chairperson of the Health Finance Commission

is to annually select a chairperson of the Health Policy Advisory Committee. The bill specifies that the 17-member Health Policy Advisory Committee is to make an annual report summarizing the committee's actions, findings, and recommendations on any topic assigned to the committee to the Health Finance Commission by September 15 of each year. Committee members are entitled to salary per diem and reimbursement for travel expenses. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of $16,500 per interim for committees with more than 16 members, such as the Health Policy Advisory Committee. The fiscal impact, if any, would depend on the Committee having cause to meet. During the 2006 interim, the last time the Committee met, four meetings were held with an expense of $600. The Legislative Services Agency provides staffing for the Committee.

Select Joint Commission on Medicaid Oversight: The bill authorizes the Commission to request certain reports and data elements from the contractor in a manner and format defined by the Commission. The Commission is a statutory entity. This provision would be an additional oversight function of the Commission. If the Commission were required to meet more often as a result, additional resources may be necessary. However, the budget of the Commission has been specified by the Legislative Council as $9,500 per interim. During the 2008 interim, the 12-member Commission held four meetings at a cost of $9,100.

Medicaid Managed Care Quality Strategy Committee: The bill creates the Medicaid Managed Care Quality Strategy Committee to provide information on policy issues concerning Medicaid. Membership of the Governor-appointed Committee is defined and FSSA is required to staff the Committee. The bill assigns certain study issues for study by the 7-member committee. The Committee's recommendations are required to be reported to the Select Joint Commission on Medicaid Oversight by October 1, 2009. The authorization for the Committee is effective upon passage and expires December 31, 2009. FSSA should be capable of staffing the Committee within the current level of resources available.

Explanation of State Revenues: *Guaranty Association Fund Fee:* The bill would discontinue the collection of the Guaranty Association Fund Fee after June 30, 2009. The $100 fee is currently levied on each contracting party that enters into a continuing care agreement. Fee revenue is deposited into the Indiana Retirement Home Guaranty Trust Fund that was established to protect the financial interests of residents and contracting parties in the event of the bankruptcy of the provider. The fund is administered by a volunteer board of directors and held assets of $3,776,834 on January 7, 2009. The expenses of the nonreverting fund are paid from the fund.

Extension of the QAF: Extending the authorization for the collection of the QAF and the related increased expenditures from August 2009 to August 2011 would authorize an estimated annual collection of about $100 M for each of FY 2010 and FY 2011 if nursing facility days remain constant. The bill also changes the percentage distribution of money collected from the QAF if the state is receiving an adjusted FMAP because of the ARRA. The total annual collections and the state share of the collections from both provisions are as follows.

		State Benefit from:		
Fiscal Year	QAF Collections	Extension of QAF	Temporary 40%	Total
FY 2006	$ 333.9 M	$ 62.7 M		
FY 2007	$ 108.3 M	$ 21.7 M		
FY 2008	$ 107.7 M	$ 21.5 M		
FY 2009	$ 102.1 M	$ 20.4 M	$ 15.3 M	$ 35.7 M#
FY 2010*	$ 100.9 M	$ 20.2 M	$ 20.2 M	$ 40.4 M
FY 2011*	$ 99.9 M	$ 20.0 M	$ 10.0 M	$ 30.0 M#

* Estimated.
# Temporary increase in state share is for less than a full year.

Definition of Community Care Retirement Community: The bill defines a Community Care Retirement Community (CCRC) for the purposes of the collection of the QAF as a facility that provides independent living services and health facility services in a campus setting with common areas. CCRCs are also required to assess each resident with an initial entrance fee of at least $25,000 for the cost of the resident's care. The bill further provides that the entrance fee must be entirely exhausted before the resident may be eligible for Medicaid. Nursing facilities that are part of a CCRC are exempt from the QAF. By specifying a more stringent definition for CCRCs, the bill may prevent nursing facilities that meet the current broader definition used for consumer protection by the Secretary of State's Office, from avoiding paying the QAF. The extent of any impact associated with the more stringent definition would depend on the size and utilization of any facilities that might register as a CCRC to avoid paying the QAF.

Background Information:

Quality Assessment Fee: In the current model approved by CMS, the amount of the QAF is based on a nursing facility's total annual patient days. Quality assessments of $10 per non-Medicare patient day are to be collected from nursing facilities with total annual patient days of less than 70,000 days. Facilities with annual patient days equal to or greater than 70,000 days will be assessed $2.50 per non-Medicare day. Local government-owned nursing facilities will be assessed $2.50 per non-Medicare patient day, as well. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the QAF.

Medicaid is a jointly funded state and federal program. Funding for direct services is reimbursed at approximately 64% by the federal government, while the state share is about 36%. Funding for administrative services is generally shared 50/50. The stimulus add-on percentage of 6.2% and the estimated 2.77% bonus unemployment percentage do not apply to medical assistance that is currently eligible for *enhanced* FMAP such as CHIP, nor do they apply to disproportionate share hospital payments.

Explanation of Local Expenditures: See *Explanation of State Revenues*, above, as it relates to municipally owned or county-owned nursing facilities or health facilities.

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State Agencies Affected: FSSA; OMPP; Department of State Revenue; State Department of Health.

Local Agencies Affected: Municipally owned or county-owned nursing facilities or health facilities.

Information Sources: Family and Social Services Administration, OMPP.

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